

Third-Quarter Sales of Fixed Annuities Drop 21%, Is First Year-Over-Year Drop in Two Years

EVANSTON, Ill. November 23 (BestWire) — Third-quarter sales of fixed annuities in the United States, including the equity-indexed variety, dropped 21% from the same period a year ago, to an estimated \$21.9 billion, according to Beacon Research, a firm that tracks the data.

The last time sales of fixed annuities were down year-over-year was the third quarter of 2007, said Jeremy Alexander, chief executive officer of Beacon Research. Quarterly sales also were down 21% from the second quarter, the firm said.

Credited rates continued to decline, Beacon said. Except on renewal rate annuities with short-rate terms, it was "almost impossible" to find rates at the threshold 5% level.

"It's all about low rates," Alexander said. Carriers were keeping rates low, in part, to conserve capital, he said.

New York Life remained the top seller of fixed annuities in the quarter, with sales of \$1.74 billion, according to Beacon.

For the first time ever, MetLife (NYSE: MET) became the top seller of these retirement-savings and income products in last year's fourth quarter (BestWire, March 10, 2009). But in the second quarter, the largest U.S. life insurer dropped to seventh place, according to Beacon.

In the third, MetLife dropped to 12th place overall, with sales of \$584.7 million, Alexander said.

MetLife "may have sold their fixed annuity quota for the year and may have limited sales to conserve capital," he said.

Holly Sheffer, a spokeswoman for MetLife, said fixed-annuity sales for the company are up 19% year-over-year. And, MetLife is No. 1 when it comes to total annuity deposits year-to-date, she said, citing LIMRA data.

Sheffer referred to what MetLife's chairman and CEO has said during the company's earnings conference calls, which is that the company is "comfortable with the business we are taking on."

Capturing second place was Allianz Life Insurance Co. of North America, with sales of \$1.42 billion. Allianz Life was the No. 1 seller of equity-indexed annuities in the third quarter, according to AnnuitySpecs.com, a firm that tracks indexed sales data (BestWire, Nov. 17, 2009).

Pacific Life, with sales of \$1.42 billion, ranked third, which represented the first time it's made the top 10, while ING USA Annuity and Life Insurance Co. (NYSE: ING) took fourth place, with sales of \$1.27 billion, according to Beacon.

Jumping three spots and rounding out the top five was Lincoln National Corp. (NYSE: LNC), with sales of \$1.25 billion, the firm said.

Carriers also were trying to control the amount of sales coming in or weren't willing to take the risk "of going out long on corporate bonds," or investing 10 to 15 years in them, Alexander said. When a company invests in a one-year bond, it knows it will get paid off in a year but when it invests in 30-year bond, there's a "very long risk" on that investment, he said.

The upswing in the stock market in recent months doesn't seem to be indicative "of where consumers are actually going with their money," Alexander also noted. There's been "huge negative net flows" out of equities such as mutual funds, he said. Instead, everyone is buying fixed instruments such as bonds, Alexander said.

Total sales of individual annuities, meanwhile, declined 17% from last year's third quarter, to \$54.7 billion, according to LIMRA.

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